



MANAGEMENT DISCUSSION & ANALYSIS

GLOBAL ECONOMY: SHOWING SIGNS OF REVIVAL

Economies around the globe are staggering back to life and are rapidly regaining impetus after having successfully braved the tribulations of times. It reminds one of the age-old saying, 'If something doesn't kill you, it makes you stronger' which rightly befits the current global scenario as it has begun to show signs of revival.

The fiscals are going green, which is quite encouraging. According to the international monetary fund (IMF) report this year, global output is estimated to have increased by 3.7% in 2017, which is 0.1% point higher than projections and is 0.5% point higher than what it was in 2016. Interestingly, growth forecasts for 2018 and 2019 have been revised upward by 0.2% point to 3.9%.

The report also indicates that more than 120 economies have picked up growth in 2017. Developed economies such as those of Germany, Japan, Korea, and the United States, along with emerging markets such as Brazil, China, and South Africa have delivered positive results. The Middle East too, is breathing easy with crude oil prices gaining altitude. Super powers like Russia, China U.S.A and U.K are gaining political stability, which in turn is paving the way for multilateral cooperation, to counteract the aftershocks being experienced by the economy.

However, words of caution from the experts indicate that this upswing will last only as long as global sentiments remain steady and inflation is kept under control. Another worry is that the rich asset valuations and very compressed term premiums may lead to a major financial market correction, and add a downside to growth as well as confidence.

With such mixed factors in consideration, it is being forecasted that developed economies will grow by 2.2% and emerging markets and developing economies by approximately 5.1% in 2018-19. The sentiments however have begun to improve and this is certainly an opportune time for implementing reforms and getting ready to take on the future.

INDIAN ECONOMY: SELF-SUFFICIENCY, PAYING DIVIDENDS

A prominent feature, that is keeping India's steadfast

position as the fastest growing economy of the world is its self-sufficiency. With 'make in India' a slogan that is ringing in every corner of the nation, industrialists, manufacturers and the leading business houses are seeking to bring in their ventures into the country. This in turn shall result in the country's economy gaining impetus. Indeed, in a promising revelation, the Economic Survey of 2018 shows India to be one of the best performing economies in the world.

The average growth for our country during the last three years has been approximately 4% points higher than the global growth figures. GDP growth has averaged 7.3% for the period between FY2013-14 and FY2017-18, highest among the major economies of the world. This fiscal year, GDP growth is expected to close at 6.75%, thereby reinstating India as the world's fastest growing major economy. Agriculture, industry and service sectors are expected to grow at the rate of 2.1%, 4.4%, and 8.3% respectively in FY2017-18.

Lower inflation, improved current account balance and notable reduction in the fiscal deficit to GDP ratio have acted as catalysts in achieving these numbers.

Infrastructure development and 'housing for all' mission have earned considerable appreciation from all corners.

On the flip side though, there are some concerns. Crude oil prices are already weighing down on inflation. As the economic survey suggests, we have been witnessing high valuations and the stock prices seem to be surging on the back of domestic liquidity flows. Deteriorating assets quality and rising NPAs in banks are posing a serious problem for the financial sector.

While there are both pros and cons to every scenario, it remains to be seen as to what extent, the pros will outweigh the cons.

India is predicted to be the fastest growing economy for the next decade, growing at 7.9% annually. The revised fiscal deficit for FY2017-18 is estimated to ₹ 5.95 lac crores i.e. 3.5% of GDP.

A young nation, India continues to make every effort to be one with the times, surge forward, and be a

top-notch country, with which every nation of the world will yearn to trade with. A country that has learnt to take everything in its stride, India with its indomitable spirit is sure to make it big.

INTEREST RATE SCENARIO: DOMINATED BY VOLATILITY

During FY2017-18, the wholesale and retail inflation declined from April to June 2017 and then peaked during November and December. The numbers again started to decline thereafter. RBI has been proactive in liquidity management throughout the year. During the month of March 2018, RBI injected additional liquidity into the system while continuing its normal liquidity adjustment facility operations. This was in the form of variable rate repo operations for longer tenures to provide comfort to the banks in the month of March 2018.

However, in the first bi-monthly Monetary Policy Statement, 2018-19 released by RBI in April 2018, inflation is expected to be in the range of 4.7 to 5.1% in H1 and 4.5 to 4.6% in H2 of FY2018-19.

The major factors influencing the rising inflation are expected to be fuel prices, minimum support price by the Government, staggered revision of HRA, monsoon effect, any fiscal slippage and increase in input and output industrial prices.

For the year ahead, global and domestic factors are expected to condition movements in financial markets, though the latter are expected to be more dominating. There are positive signals from developed economies as well as emerging economies, such as, lower unemployment rate in US, buoyant euro zone economy and an improvement in economic indicators of countries like China.

The London Interbank Offered Rate (LIBOR) has also been witnessing an increasing trend in the recent few months. Crude oil prices have been on the rise since the past one year. The increasing oil prices trend may spill over and contribute in pushing the inflation numbers in the near future, thereby increasing the interest rate as well.

The US Federal Reserve is expected to further increase its rates during 2018-19. The rates were increased in March 2018 by 25 bps to 1.50-1.75%. It is expected that there may be two more rate hikes during the year, with US yields expected to touch 3.25% by the end of calendar 2018 from 3% currently.

One positive aspect for India has been its foreign exchange reserve shooting beyond USD 400 billion

market, which has kept the USD-INR stable, and under check for most of 2017-18. However, with the recent fed hikes, we witnessed the US dollar appreciating against the Indian rupee.

Going ahead, the bank recapitalization will generate a powerful credit impulse. Corporate credit is expected to increase with the economy picking up, GST regime stabilizing and other reforms by the Government taking shape. This may further increase the participation of banks in commercial papers and NCDs.

Largely 2018-19 is expected to be a year of huge volatility and uncertainty, with an upward trend in the interest rates.

INDIAN HOUSING FINANCE SECTOR: SURFING A NEW WAVE

Real estate and housing finance sectors are interdependent on each other. Currently, both these sectors are busy catering to a new genre of home buyers who have emerged because of recent reforms instated in the country.

It would be wrong to believe that the real estate sector is on a standstill. A large section of our society that was deprived of the luxury of owning a home is now actively fulfilling its housing dreams. With families going nuclear, this section of prospective home owners will continue to grow. As long as this section exists, there is a lot that the housing and mortgage sectors can look forward to.

The perceived slump is only because investors have moved out of the equation. However, it has not been able to deter reputed developers who have begun to focus their attention on end users, which is a promising sign for the market.

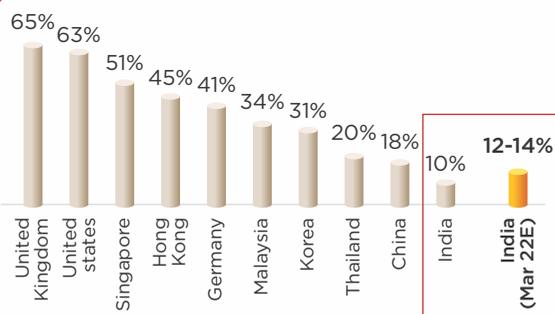
As for the dis-organised players, who have been responsible for marring the trust between buyers and developers, are left with only two choices, either perform or perish.

Real estate prices are consolidating. NHB RESIDEX for January-March 2017 reveals that price indices for residential properties have increased over the previous quarter in various cities like Jaipur, Chennai, Lucknow, Guwahati, Howrah and Hyderabad although the same have come down in cities like Delhi, Faridabad, Chandigarh, Patna and Nashik.

Mortgage penetration in India has increased steadily from approximately 7% of GDP as on Mar. 31, 2007 to approximately 9.7% of GDP as on Dec. 31, 2017.

However, it continues to be significantly lower than developed markets, which proves that there is significant scope for growth over the medium term.

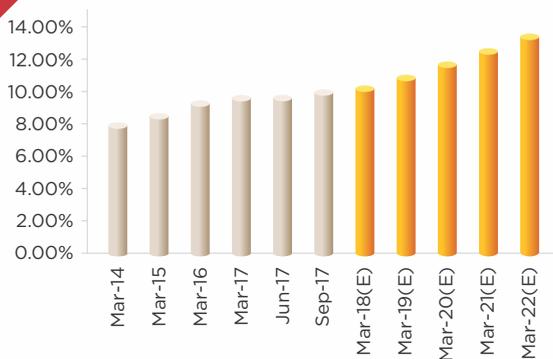
INDIAN MORTGAGE MARKET IS SIGNIFICANTLY UNDER-PENETRATED
Mortgage to GDP ratio (%)



Source: ICRA Indian Mortgage Finance Market Update for HIFY2018

The total housing credit outstanding was around ₹ 15.9 lac crores as on December 31, 2017 vs ₹ 14.4 lac crores as on March 31, 2017. HFCs reported a 23% y-o-y growth in overall portfolio for 12 months ending December 2017 supported by a higher 30% y-o-y growth in the non-housing loan segment. The home loan portfolio grew by 20% during this fiscal year. ICRA expects banks to pick up by 16-18% and HFCs by 20-23% leading to an overall market growth of 18-20% in FY2018-19.

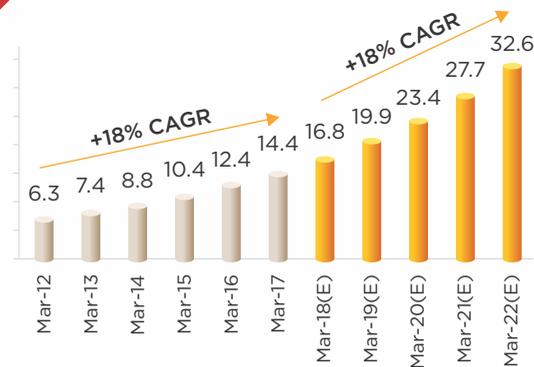
PROJECTIONS ON MORTGAGE PENETRATION LEVELS OVER NEXT FIVE YEARS



Credit Rating Information Services of India Limited (CRISIL) Research expects HFCs' loan portfolios to grow at a slower pace of 16-18% CAGR in the fiscal years 2018 and 2019 due to the Real Estate Regulatory Authority (RERA). Thereafter, growth is expected to accelerate, leading to 18-20% CAGR

over the next five fiscal years, led by HFCs' strong origination skills, focused approach (catering to a particular category of customers), superior customer service and diverse channels of business sourcing. The thrust towards affordable housing will also buoy growth.

RAMP-UP EXPECTED IN INDIAN MORTGAGE MARKET



Source: ICRA Indian Mortgage Finance Market Update for HIFY2018

Competitive intensity of the housing finance sector is increasing, as there are many new entrants in the sector. Over the last three years, 28 new HFCs have been granted licences by the National Housing Bank (NHB). The number of licensed HFCs increased from 64 as on March 31, 2015 to 92 as on March 31, 2018.

NEW OPPORTUNITIES AWAIT HOUSING INDUSTRY
Post-RERA Effect

The very purpose of designing a regulation such as RERA was to curb the indiscipline that was burrowing into the real estate sector. Unaccounted transactions, diversion of funds, inflated prices and failure to deliver homes in time were iniquities that were setting in deep. Owing to the aforementioned challenges, the assumption is that many marginal players may completely exit the residential market, while mid-sized developers would reduce their operational scale to core markets, where risks are more manageable.

Another effect of RERA is that developers are now limited to using cash flow from pre-sales. As such, the availability of cheaper and varied sources of financing will be critical to keep profitability levels remunerative enough to develop and expand. Housing finance players will benefit from this situation considerably.

The provisions of the Act render significant advantages to the buyers in comparison to earlier

times. There is high anticipation that RERA, in the time to come, will restore confidence in the real-estate sector thereby adding to the sales velocity.

Although the current irregularities are yet to be fully resolved, RERA has indeed been successful in making real estate players more accountable for their actions.

Affordable Housing

Affordable housing has added a new orbit of growth in the housing development sector. Low taxation has created an incentive for real estate developers to enter this segment. To provide further impetus to the 'housing for all 2022' mission, the Ministry of Housing and Poverty Alleviation, on September 21, 2017, announced a public-private partnership (PPP) policy, segregated into eight models to promote private investment in affordable housing. A conducive environment for the affordable segment will provide significant growth potential, which would motivate real estate developers to increase their focus on affordable housing, especially in rural and semi-urban markets.

Currently the developers are concentrating on completion of pending projects to comply with RERA; soon their focus will be directed towards affordable segment housing. The volumes are likely to be higher in this segment due to rising affordability, urbanisation, migrations, connectivity, infrastructure and support by the Government among other reasons.

Affordable housing reflected a growth of 27% between January to September, 2017 (y-o-y) compared to an overall residential housing contraction of 33%. This may be a result of fresh buyer interest infused in the realty sector through joint development agreements with revenue share, increased land transactions with mission-mode implementation of the PMAY-HFA; affordable housing's new found infrastructure status; as well as the much-improved inflow of formal credit (NBFCs and banks) to the segment. Affordable housing finance is estimated to be a 6 lac crore business opportunity by 2022, by when the Government seeks to achieve housing for all citizens.

Extension of Pradhan Mantri Awas Yojana (PMAY) Scheme

The PMAY scheme has been extended by 15 months up to March 2019. The Cabinet has allowed for increase in carpet area of houses eligible for interest subsidy under the credit linked subsidy scheme (CLSS) for the middle-income group (MIG). Several

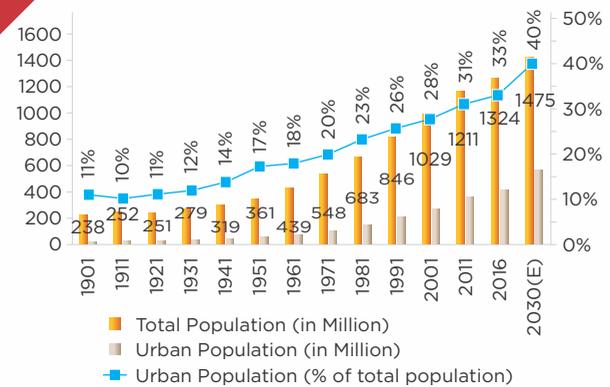
ready to sell units will now move to the affordable housing segment, which will be a win-win situation for the developers, buyers and housing finance institutions.

Although the progress in implementing the scheme has been limited so far in PMAY Urban, it is beginning to gain momentum with around 3.1 million houses being sanctioned across various states. The top six performing states in credit linked subsidy scheme (CLSS) are Gujarat, Tamil Nadu, West Bengal, Maharashtra, Madhya Pradesh, and Rajasthan.

Urbanisation and Migration

According to India Brand Equity Foundation (IBEF), the number of Indians living in urban areas will increase to about 600 million by the year 2031. By 2028, India's real estate market size is expected to reach USD 853 billion, increasing from USD 126 billion in 2015. Approximately 10 million people migrate to cities every year, which will bear a huge potential for housing and housing finance sectors. This migration will accelerate the housing finance sector largely.

GROWTH IN TOTAL POPULATION AND RISING SHARE OF URBAN POPULATION



Source: NHB, RBI, CRISIL Research

THREATS TAINTING THE POSITIVE OUTLOOK

RERA is likely to have a short-term stressed impact on the industry as it has forced developers to focus on completing existing projects. This, coupled with sluggish demand, has resulted in fewer new launches and a considerable slowdown in sales. With sales velocity going down and prices declining, cash flows have shrunk and construction has slowed down dramatically. Hence, in the backdrop of such vectors, we have seen a slight slump in construction finance.

Several new players are entering the housing finance segment. Stiff competition could lead to unhealthy price wars, which will be damaging to the overall health of the sector.

There is an enormous demand for low-cost housing finance options within the lower income groups. Yet this demand remains unfulfilled due to constraints such as the inability to assess repaying capacity of customers having volatile income streams, uneven payback patterns and lack of land titles etc.

Collateral fraud in the sector is another addition to the menace. As a result, lending institutions have to implement additional regulatory measures, which increase their underwriting expenses.

To summarise, it can be said that in the current scenario, housing finance companies should capitalise the ocean of opportunities being offered by the rising wave of affordability.

PNB HOUSING FINANCE: STEPPING INTO ADULTHOOD

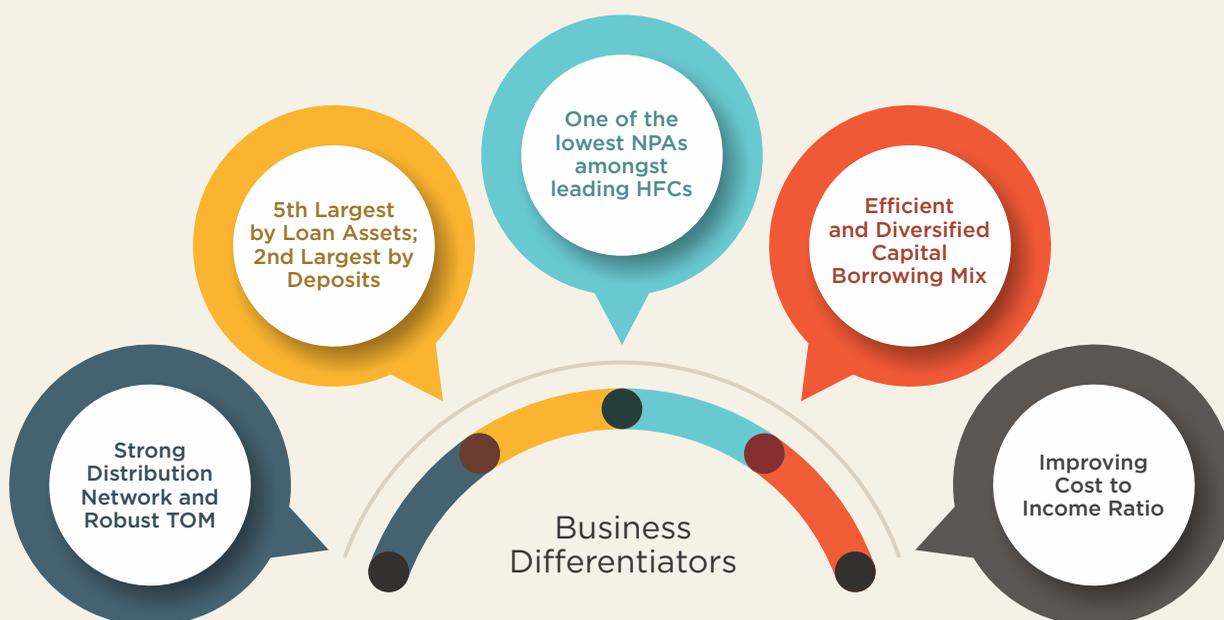
In the financial year gone by, your Company has once again stepped up its performance and has set new benchmarks in the housing finance sector. Overcoming the pressures of a dreary external environment, we continue to be one of the fastest growing HFCs with 5 years CAGR of 54% in loan assets, which is fairly higher than the industry average.

The most significant achievements during the year were that our assets under management crossed ₹ 50,000 crores to reach ₹ 62,252 crores. This adulthood attained, we are now placed amongst the elite club of housing finance players in the country.

Our loan assets have increased from ₹ 38,531 crores in FY2016-17 to ₹ 57,014 crores, an elevation of 48% y-o-y. Our deposits balance has reached ₹ 11,586 crores, which has added considerable strength to our treasury. Your Company continues to be the 2nd largest among the deposit taking HFCs.

Our performance during the year has been a close clone of the planned business strategy. To be able to grow by choice is a gratifying experience. Our confidence gains substance by the fact that despite the steep rise in our client base, our team has evoked customer delight through undiluted finesse and warmth in services. This team has ensured that PNB Housing continues to deliver services at par with its brand promise.

Lately, the Indian financial system has been groaning under the weight of non-performing assets (NPA). In contrast to this, PNB Housing as a unit has consistently maintained one of the lowest NPA figures in the industry. This solidity is the result of its appraising capability and prudence in customer selection and underwriting.



We have nurtured an effective business model with digitization of processes, wide geographic footprint and good governance. Our mark to market products, high quality of assets and fine human resources grant us scalability and ability to generate healthy bottom line figures.

For us at PNB Housing, it is not just about business excellence, it is about pursuing a larger purpose. We are on a mission to create a prosperous ecosystem, one that would benefit even the last bucket of the real estate funnel, i.e., the construction workers.

BUSINESS AND MARKET REACH : WALKING THE EXTRA MILE

PNB Housing believes that to make houses available for all, housing finance providers will need to take their products and services to the end users and not vice-versa. Even today, many citizens in India live as tenants. One of the reasons for this is that such families do not feel the need for investing in real estate or they perceive the process of availing finance for home purchase as cumbersome. The onus is on us to generate this need by communicating effectively the importance and the ease of owning a home.

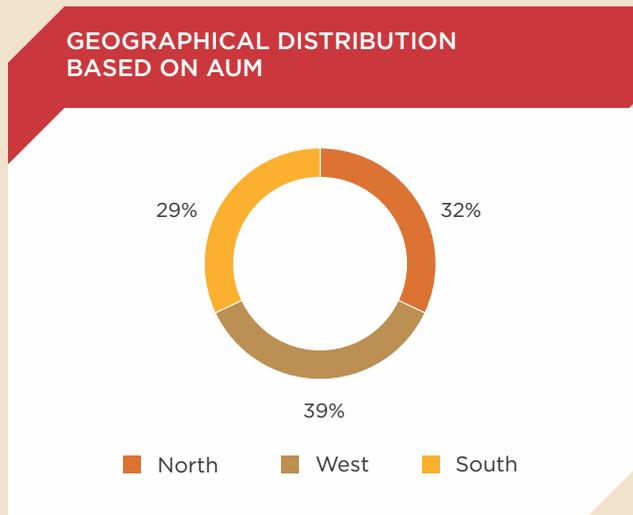
We are strategically extending our reach to connect with the farthest customer. Although we acknowledge that a huge potential is lying dormant in the housing finance sector, yet we are moving forward prudently with calculated capacity building.

PNB Housing believes that the key to commercial longevity is to follow a sustainable business model instead of nibbling market share. We place productivity ahead of expansion and towards this; we launch our new branches only after ascertaining

their viability. This approach has ensured that all our branches become healthy contributors to the overall performance of the Organization.

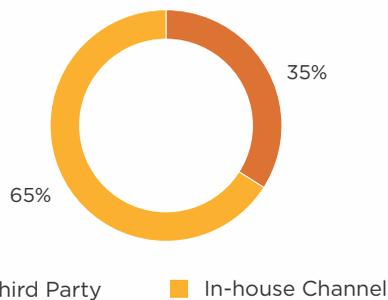
The Company believes in establishing an evenly distributed geographical network. The volume of business generated during FY2017-18 is homogenous across the geographical spread, with West zone is making a marginally higher contribution.

In the beginning of FY2017-18, we were operating 63 branches in 39 unique cities. By the end of the same year, our presence extended to 47 unique cities with 84 branches, 21 underwriting hubs and 3 zonal offices. The central operations and central processing have aptly supported this network headed by the central support office in Delhi. PNB Housing expansion is well calibrated led by capacity building and we continue to see future opportunities in the sector as we scale new boundaries.



Our business sourcing network comprises of over 12,000 members across India including in-house sales personnel, sourcing partners, deposit brokers etc. Our external channel partners introduce us to a wider network through their relationships and infrastructure. Together we are spreading our wings wider and increasing the scale of our operations.

DISBURSEMENT ORIGINATION MIX



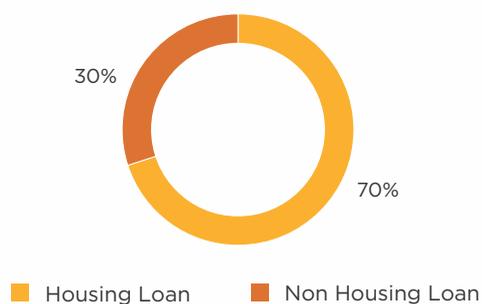
PHFL Home Loans and Services Limited

In FY2017-18, we incorporated PHFL Home Loans and Services Limited as a wholly owned subsidiary. PHFL is focussing on the sales and distribution functions of PNB Housing and has already included the existing in-house sales cadre in its family. This will make us self-sufficient in acquiring new businesses and offer doorstep services to prospective customers. The pilot phase of PHFL is completed and the entity will be fully operational from the 1st quarter of FY2018-19. We look forward to create strong synergies with our subsidiary to take customer experience to another level.

Our Product Mix is designed to suit the Retail market

Our range of products and services are designed to fulfil the contemporary needs of the retail market. At PNB Housing, we stay in sync with the time and ensure that we keep a vigilant eye on the dynamic nature of the financial ecosystem. Continual understanding on consumer preferences has helped

PORTFOLIO MIX



us formulate a product line, which comprises of loans for purchase of homes, self-construction, home extension and residential plots. Non-housing loans include loan against property (LAP), loan for purchase of non-residential premises (NRP) and lease rental discounting (LRD). The Company also offers construction finance to real estate developers, thus enabling them to build homes for citizens.

Our well-defined target group encompasses a wide range of customers

Over the years, PNB housing has been consistent in its target mix and is in line with the overall strategic direction. We have gradually expanded our reach and enhanced the acumen to appraise both salaried and self-employed segments who aspire to fulfil their housing dreams through home loans, which are customised to accommodate their repayment comfort.

In our opinion, a large share of housing demand is generated by self-employed category but it has been observed that the credit penetration in this segment is quite lower than the actual house purchase ratio. At PNB Housing, a significant percentage of home loans are disbursed to the self-employed category, which highlights our expertise in catering to this high potential segment. Commoditized product market differentiation is limited, therefore we strive for providing a differentiator service delivery model.

Taking into consideration the other side of the coin, we are offering 'Unnati' home loans to individuals and families coming from modest income groups, extending our hands to say that 'we care'. We earnestly aim that aspirants from such income groups benefit from this product and tread on the path of 'Unnati' (progress).

We believe that 'Nature' is the most important customer today. It is our responsibility to conserve the rapidly depleting natural wealth of planet Earth. It is our moral duty to save the planet from the onslaughts of thoughtless human actions, such as pollution, waste disposal, tampering with physical features, etc. Thus, we have adopted the 'green lending practice', an initiative that is being carried forward in partnership with IFC Washington. Under the programme, we extend funds to such residential projects that are certified by a recognized green building certification body, such as the EDGE. We are hopeful that such initiatives will encourage builders and developers in adopting nature friendly construction methods.

BRANDING AND MARKETING: GAINING MINDSHARE

In our line of business, where customers have multiple options to choose from, brand identity and recognition play an important role. They are gears that boost our efforts in becoming the preferred service providers for home aspirants across the country.

Our marketing strategies have proven to be as intriguing as our products and services. We have been using a wide range of advertising and branding tools to convey our commitment that, "Taking home loan from PNB Housing is as easy as Ghar ki Baat!" Our focus is on informing prospective home aspirants that we are a future driven organisation

with products that custom fit the expectations of the new age customers.

The catch phrase 'surprisingly easy' was the central idea of our marketing campaign during FY2017-18 because that is exactly how customers experience their home loan journey, when collaborating with us.

To create memorable visibility in media, one that would appeal to people of all age groups, we created a visual extravaganza by bringing to life a wonderful world of computer-generated animals. The reason for including animals in the campaign was to break the clutter. To our delight, the T.V. commercials, print ads, radio jingles and OOH campaigns earned significant appreciation from our target audience.



This award winning commercial is where occupants are happy to quit the claustrophobic environment and move into a house that offers a beautiful sea view. The objective of such creative messages is to encourage people to break free from the perils of staying in rented homes through 'surprisingly easy' home loans offered by PNB Housing.



We reinforced our advertising campaigns with below-the-line activities, such as participation in relevant events, exhibitions and summits. We also organized many on-ground events, which brought us face-to-face with prospective customers.

CUSTOMER CONVENIENCES: RAISING THE BAR

Service is not about transaction, it is about engagement. At PNB Housing, we express our customer-first approach through a host of conveniences that we offer in our product suite. Going by the mantra of 'small is big', the service strategy is aimed towards providing simple and effective interventions at key points of the 'customer experience' journey. The centralised outbound contact centre, self-service 'application status tracker' and the integrated disbursement scheduler are case in point.

To ensure that our clients are served in a secure, transparent and swift modus, we are re-energising and re-inventing our processes through the total quality management (TQM) framework. Using scientific and statistical means, the TQM project will further improve accuracy and bring faster TAT for loan processing along with elevated productivity levels.

In order to benchmark our processes to high levels of excellence the servicing functions of the Company such as branch customer service operations, outbound and inbound contact centre and the centralised back office operations are ISO 9000 certified. ISO is a globally accepted standard on quality management and it certifies that PNB

Housing possesses effectively documented processes for ensuring an efficient and standardised customer service. The certification has been granted by CDG, a leading international organisation specializing in ISO compliance.



Customers when dealing with PNB Housing, benefit from features such as personalized doorstep services, instant home loan e-approvals, options to choose from fixed and floating rate of interest, customized eligibility programmes and many more features.

We follow the path of continual improvement. Our customer satisfaction survey helps us in getting the customer's perception of our services. This insight sets the course for innovation and self-improvement.

Total Quality Management (TQM)

In the business of financing, many a times, adherence to quality standards leads to an uptick in the turnaround time. We initiated the TQM project to reduce the time frame between customer application login and final disbursement. We have institutionalised general principles of TQM in various units and procedures that are part of the disbursement procedure. The pilot project was commissioned at the Noida Hub and has now been extended to Mumbai. Based on encouraging results in the pilot phase, we anticipate a rise in the productivity levels of relevant units.

Customer Relationship Management System (CRMS)

PNB Housing acknowledges and respects customers' demand for 'urgency'. It is our endeavour to ensure that all requests and complaints are addressed in the shortest possible time frame. We have designed our own CRMS, — an interface, which is equipped with, predefined inbuilt workflows for quick transfer of information between the clients and the relationship management team.



CRMS allows for suggestions and feedbacks, which act like 'on the job learning opportunities' for our team. Every customer feedback is treated with utmost priority, no matter how grave or minor they may seem.

Contact Centre

Our advertising campaigns have been generating high volumes of enquiries. Hence, we established an outbound contact centre to process these enquiries and to ensure that every single one of them gets a prompt response from our executives who are given rigorous training to handle such grievances of our customers. We believe in having happy and satisfied customers, who would in no ways, attempt to dissociate from us. The unit is technologically advanced and maintains an end-to-end intelligent tracking of customer requests. It also monitors the performance of leads generated through the advertising campaign. The enquiries are directed to this centre and are responded through voice and email based services. Calls are recorded for training purposes. From the customer's point of view, the centre casts the first impression and sets the tone for lasting relationships.

The centralized inbound contact centre was conceptualized to handle customer interactions coming through non-visual channels, such as telephone, email, web and mobile portal. The centralised team motivates the branches to provide quick and standardized experience to the customer. Due to timely and standardized one-time communication, the number of repeat e-mailers are negligible. As we attempt to address and resolve concerns of customers through inbound contact centre within defined timelines and with standardized communication, the economies of scale will start playing out in FY2018-19.



Inbound Contact Centre at CSO

Customer Portal (CP)

A typical home loan journey lasts for about 20 years. Such long associations between the finance provider and the customer is marked by multiple interactions. We have thus established a customer portal to act as a free-flow bridge between the customers and us. This single window, which is linked to CRMS, offers important information such as IT certificates, EMI payment schedules etc. at the click of a button. The customer portal has proven to be an effective platform for handling post-sales engagements. The customer portal besides keeping communication between Company and the customer, enables the latter to feel at ease at the thought that the answer to his queries or the solution to his problems are all only a click away. This portal acts as the interface between customers and us, who are extremely important to us.

Our Customer Portal is also available in the form of mobile application. It is one of the few in the BFSI space, which allows accessibility through fingerprint



PNB Housing Mobile App

authentication. More than 50% of our loan customers have already subscribed to the portal.

The app is proving to be highly effective, which can be accessed as and when it is convenient for the customer. In this era of technology, we have kept abreast with the times and devised ways to be accessible to our customers, anywhere and at any time. As the convenience of downloading and operating this app, will spread through word-of-mouth, we are sure the number of subscribers will soar rapidly, within a short period.

Target Operating Model (TOM)

Our scalability is reinforced by our target operating model (TOM) which works on 'hub' and 'spoke' basis vigilantly supported by central support office (CSO), centralized operations (COPS) and central processing centre (CPC). Our model facilitates economies of scale, low incremental costs, faster decision making and brings operational synergies and standardization across the network.

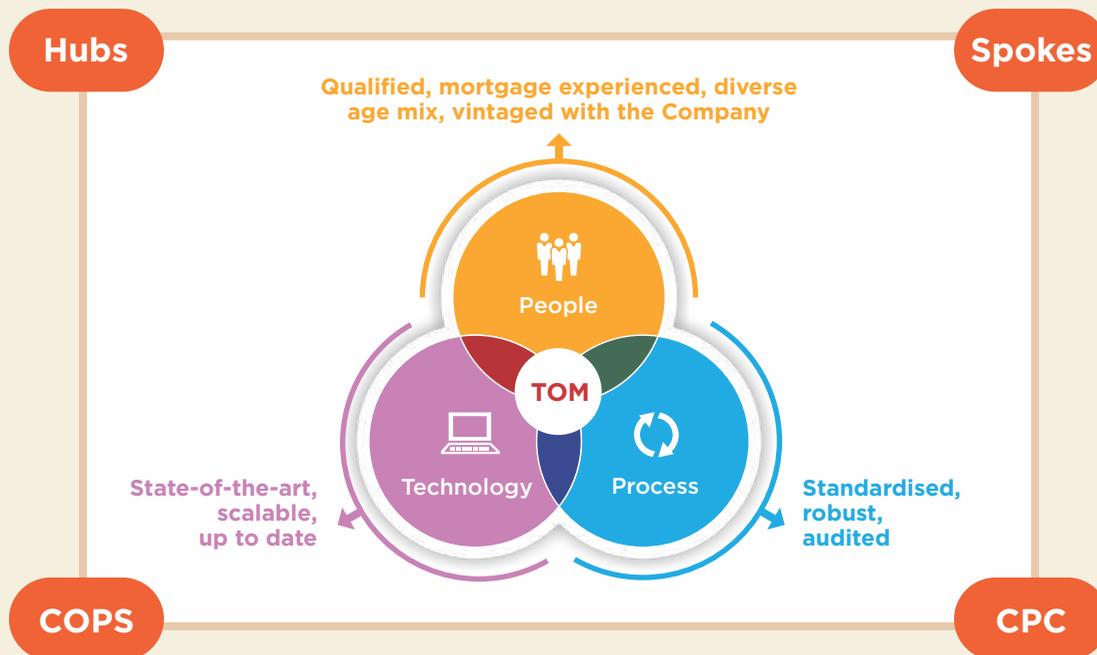
Our hubs are the fountain heads of subject matter experts that cater to the business aggregated through 84 branches or 'spokes'. The capacity of each hub can be enhanced to serve up to 5 to 6 branches. Our loan decision-making process at the hubs involves qualified and vintaged specialists from fraud control, technical, legal, collection and finance professionals. The Company follows four-eye principle and has delegated loan sanctioning authority to hubs in order to facilitate faster decision-making. The Company has a methodological, well-established and streamlined credit underwriting, monitoring and collection process to ensure that our credit quality remains healthy.

Technology forms the backbone of our processes. Our target operating model is laid down on the single layer of enterprise system solution (ESS) where all business activities and functions are integrated. Our formally documented standard operating procedures ensure that our consistency remains uncompromised.

The Company envisaged induction of various electronic and digital means in loan processes to make it more efficient. The Company ran these initiatives under the name "Phygital". This has driven us towards digitization of sourcing, verification and customer service on mobile platforms. Through digital medium, the customers and third party partners are brought together to make the transaction seamless. All property and loan documents are being digitised at the centralised operations shop. These documents can be accessed securely at the click of a button, a 'digilocker' equivalent of service to the customer.

Intelligent bulk communication management system has been implemented, which simplifies the complete process of customer communication, ensuring 100% reliability and global standard of customer privacy.

Robust Target Operating Model



RISK MANAGEMENT: REINFORCING RESILIENCE

PNB Housing has a well-planned strategy of building assets with optimum risk-reward levels. Our endeavour is to make the Company 'one of the most admired and preferred HFC' for all stakeholders".

Portfolio Performance

The Company's loan book has grown sensibly and is diversified across geographies, products and occupations. Our loan assets has performed better than the industry with gross NPAs at only 0.33%.

Our low NPAs are a testimony of the efforts made in the last few years towards building a consistent product and occupation mix, scalable TOM, robust processes, proficient human resources, collections rigor and proactive portfolio monitoring. All of our processes are audited by independent team of professionals.

Wholesale finance operations are centralized backed by stringent norms for customer and collateral underwriting. We have strong team of operations personnel, who review these projects, cash flows, sales velocity, construction status etc. on periodic basis. For the period ended March 31, 2018, the gross NPAs for wholesale finance portfolio

stood at 0.17%.

Enterprise Risk Management Policy

We are the custodians of your trust and that of over 2 lac customers. We have formulated a comprehensive enterprise risk management policy to thwart major risks such as credit risk, market risk, liquidity risk, legal risks, interest rate risk and operational risk that are inevitable to our business. We place emphasis on risk management practices for a risk return trade off.

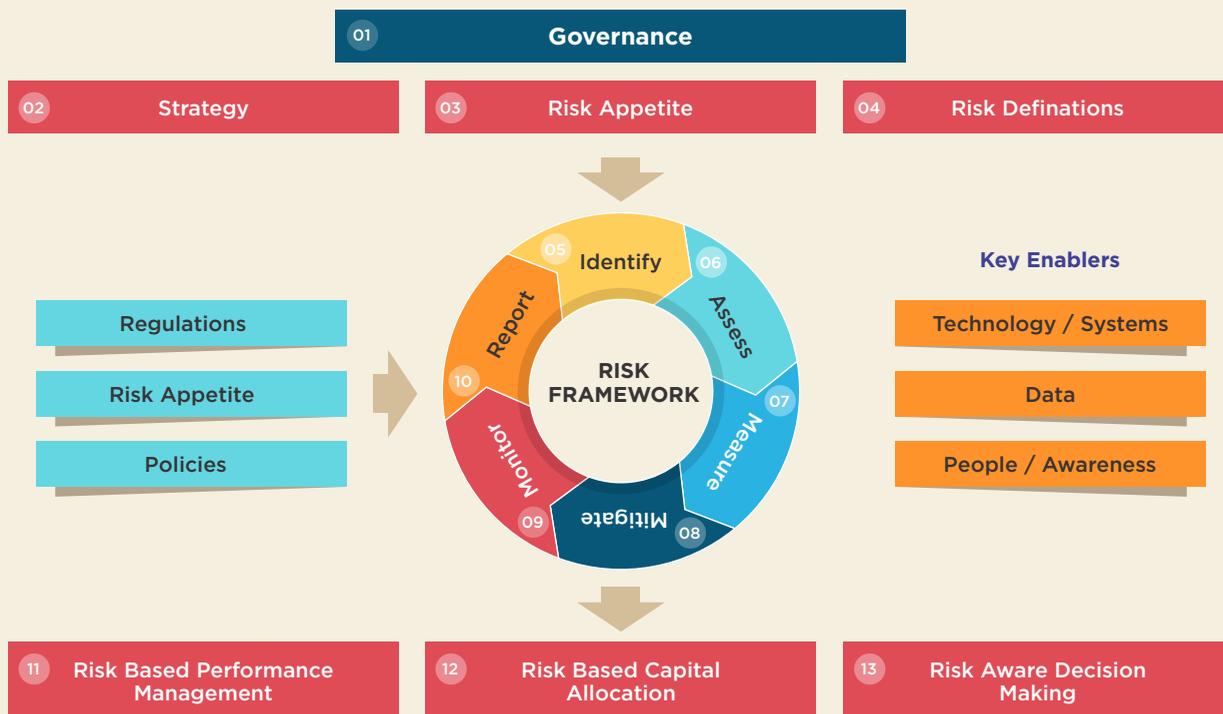
We have an integrated risk management policy (IRM Policy) in place, which communicates the risk management strategy, framework and risk processes throughout our organization and is approved by our Board.

PNB Housing Risk Framework

Our risk management framework broadly includes governance, risk appetite approach, risk specific guidelines, risk measurement, mitigation, monitoring, reporting and key risk indicators (KRIs).

The Company has developed a clearly articulated risk appetite statement, functional policies, KRIs to explicitly define the level and nature of risk that

PNB Housing Enterprise Risk Management



organization is willing to take, in order to pursue the articulated mission on behalf of various stakeholders.

Our Board has delegated the responsibility of risk management to its risk management committee (RMC), which reviews the efficacy of our risk management framework, provides important oversight and assesses whether it is consistent with the risk tolerance levels as laid down.

The RMC gives directions to executive risk management committee (ERMC) comprising of senior management of the Company.

Executive Risk Management Committee (ERMC)

The ERMC is headed by the Managing Director and includes the Chief Risk Officer, Business Head, Chief Finance Officer, Chief Technology Officer, Chief Compliance Officer and the Chief People Officer.

Based on the Business objectives and business plans of the Company, the top management has identified risks to Company's objectives. The key risk indicators, risk appetite and risk policy were developed for critical risks with thresholds to provide an early warning signal of increasing risk exposures in various areas of the Enterprise.

The key business risks assessed function wise are credit risk, market risk, liquidity risk, reputation risk and technology risk. The Company has formulated risk management policies along with KRIs, which are measured and reported to RMC on quarterly basis.

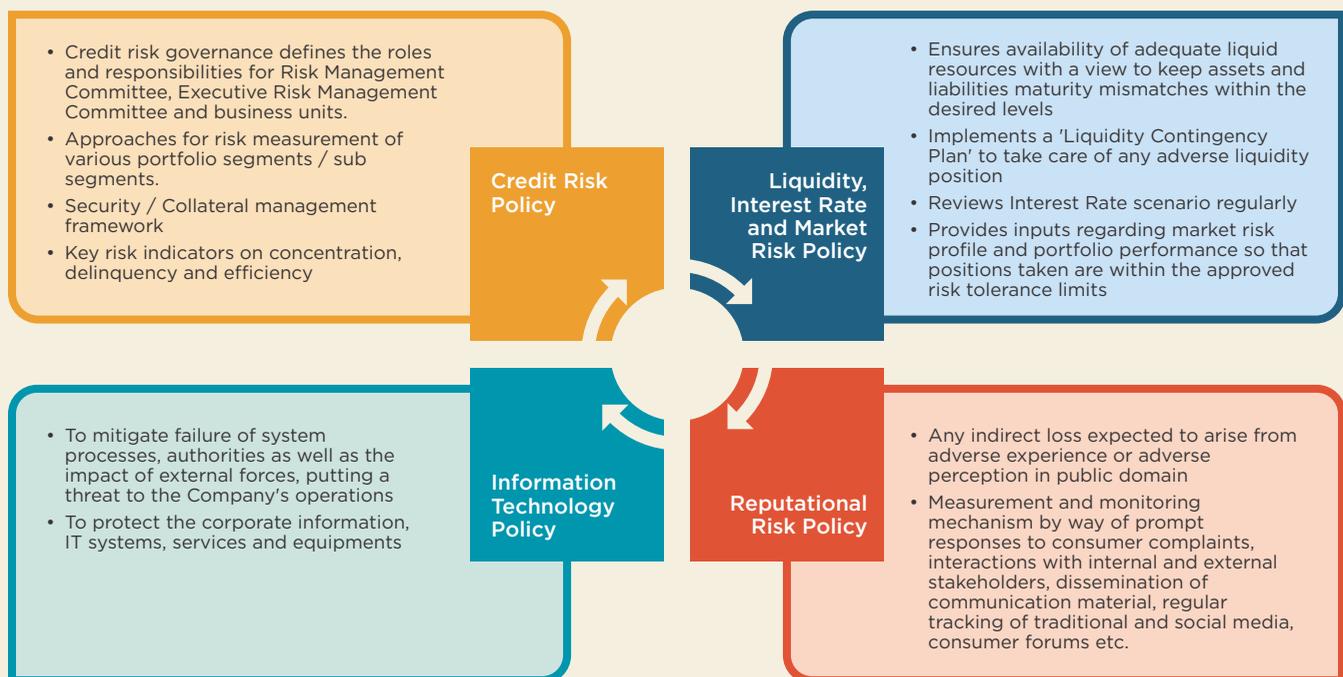
Recoveries

Against the backdrop of increase in non-performing assets in the mortgage sector, the Company has successfully contained its NPAs to one of industry's best. Rigorous monitoring and assessment of early warning indicators played a crucial role in arresting probable defaults. We believe in curing rather than collecting and resorts to best legal practices and fair standards in dealing with delinquent customers. Our proficiency and experience gained in the last few years has enabled us to make optimal use of the SARFAESI Act, 2002, thus achieving the desired NPA resolution rate.

INFORMATION TECHNOLOGY: SHAPING OUR FUTURE

In today's world, IT and business are interwoven. Fintech is a new trend in the financial sector. Financial technology is no more limited to bookkeeping but everyday new dimensions are

A brief snapshot of the risk management policies of the Company:



getting added. New technologies, like machine learning/artificial intelligence, predictive behavioral analytics and data-driven marketing are further making the business more sustainable by taking the guess work out from strategic decisions. At PNB Housing the focus had always been, on bringing smart technologies to the forefront of value chain.

We have conventional approach towards technology with contemporary outlook. We stick to fundamentals and embrace the most advanced technology to reshape our business. Our services are available on all the digital channels with balanced footprints on cloud.

Our enterprise solutions system (ESS) is interfaced with e-verification services for know your customer, employment check, utility bill verification, fraud check and automated bank statement analysis. This has eliminated the limitations of manual verifications, bringing efficiency in the underwriting process.

A collaborative web and mobile platform 'uConnect' has been launched for underwriting service partners to seamlessly integrate the flow of services for field investigation, fraud check, technical valuation, personal discussion and legal verification. The platform provides an intuitive experience thereby increasing efficiency and reducing TAT, thus building a collaborative business ecosystem between service

partners and PNB Housing.

The omni-utility self-service portal empowers the customer to start an activity in one channel, and seamlessly make transition to the other.

Subsequent to the implementation of goods and service tax (GST), the feature has been introduced and adopted in the ESS, enabling compliance and submission of regulatory returns.

Another such unique feature that we have introduced is Customer's document digitization facility, which is a true amalgamation of people, process and technology. Accuracy with speed is the mantra of this establishment. Rollers and lenses are tuned to digitise millions of pages every month and human verification complemented by cognitive checks ensures error proofing.

Customer communication is an important aspect of business. Automated mailing solutions have been implemented by the Company, which simplifies the complete process of customer communication, ensuring customer privacy.

Security and Compliance are paramount for us. Towards this, we have adopted a board approved comprehensive security policies and framework, to make the overall business environment more secure and compliant.



OPERATIONAL FRAMEWORK: BUILDING OUR SUBSTANCE

The Central Operations (COPS) at PNB Housing is an ISO certified unit, which acts as a transaction powerhouse to take care of plethora of backend operations and ensures the adoption of best practices in our operations. Central operations compose 2.4% of the organization's human capital and primarily focuses on activities that do not involve customer interface. It aims to bring efficiency, quality, process optimization, cost control and economy of scale by adopting technology-driven processes.

The year gone by was eventful for COPS as it established a new facility to cater to the west zone. This facility is a standing testimony to the scalability of our scalable target operating model (TOM).

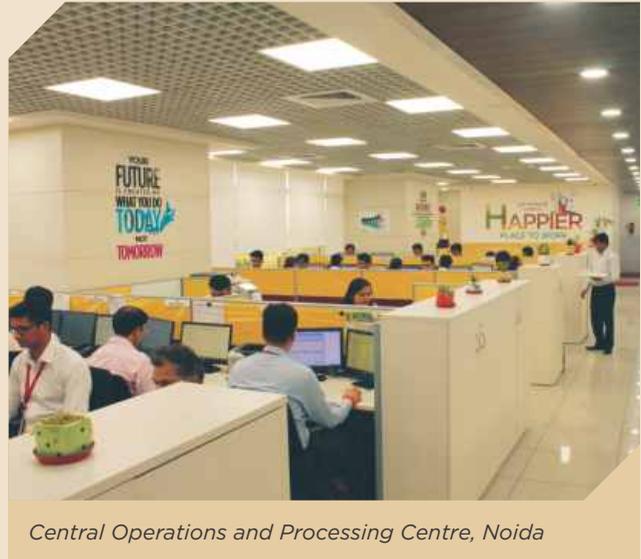
PNB Housing has set a new benchmark in the mortgage industry covering end-to-end security document digitization and the adoption of Intelligent mass mailing solution has enabled automated dispatch of physical communication through robotic folder and inserter.



Intelligent Mass Mailing Solution at Central Operations and Processing Centre

Centralised Processing Centre (CPC) manages repository of dockets, loan files, deposit applications, business partners' applications, CERSAI charge creation and satisfaction, repayment mode management, cash management services (CMS), centralized bank reconciliations for disbursement and collection accounts along with several other essential documentation.

Bank reconciliation for branch disbursement and collection accounts have been successfully migrated



Central Operations and Processing Centre, Noida

to a centralized unit. This process works on 'the maker and checker concept' as the banking transactions get updated in the system by branches and reconciled by the CPC.

COPS is steadily progressing towards delightful customer service delivery by facilitating the processing of deposits, business partner management, and bulk customer correspondence with precision.

OUR HUMAN RESOURCE: PERSONIFYING OUR BRAND PROMISE

People are at the core of our success. We do not view our people as 'resources'; we consider them our most valuable assets.

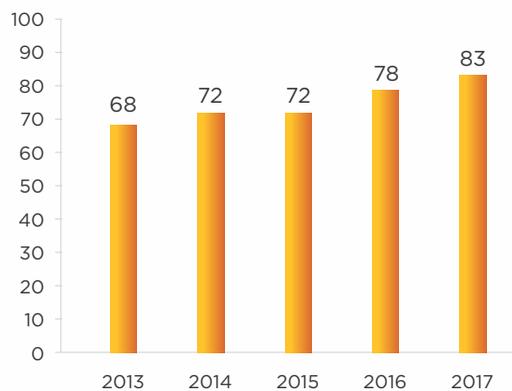
Mortgage sector, in today's scenario, is highly competitive in nature. It is imperative to ramp up the human resource systems and processes, that can enable organizations to be relevant and adept with the changing environment.

At PNB Housing, we are constantly building strategic interventions with a long term vision of being the most admired housing finance Company in the country.

In line with our core value of 'people first', our HR processes and initiatives have been aligned for building a superior human capital and keeping the work force across all levels engaged and motivated. We recognise the importance of having a consumer-focused, performance-driven and future-capable team that will surpass our growth ambitions. The human resource agenda continues to support the business in achieving sustainable and responsible

growth by building the right capabilities in the organisation. We believe in creating high-trust, high-performing workplace culture. Our sincere efforts over the last five years to develop a highly engaged workforce have yielded good results with y-o-y improvement in our employee engagement scores.

EMPLOYEE ENGAGEMENT SCORE



An engaged employee is a productive employee

The team members at PNB Housing truly deserve credit for the Company's current stature. These members are a group of determined professionals who are on a mission to provide the best of services to the customer. Our talent pool has been accumulated through years of human resource development and we continue to attract capable cadre in our family. The average age of our entire team is about 32 years, which makes our organisation an agile and youthful entity. On March 31, 2018, the total employees on board were 1290.

Our talent retention in the future would be groomed to cater to the needs and aspirations of gen-Y. As a first step, we have launched a web-enabled HR management system (HRMS). This HRMS platform has created a paperless working environment through automated HR processes and defined workflows, thereby ensuring HR deliverables in a more effective, coordinated and efficient manner. Online processes like self-service, which help employees update their own data and managers to get insights, have been deployed, enhancing the efficiency and productivity of our employees. Other processes and initiatives like performance management system, reward and recognition programme and talent management etc. have also been integrated with this platform, significantly



Annual Reward and Recognition Night, New Delhi

contributing to enhancing employee connect and experience.

From the learning & development perspective, we have moved towards 'Gamified' an activity-based or game-based interactive e-learning through our e-learning platform 'e-Guru'. This helps in easier learning and retention compared to conventional classroom training. Relevant functional, behavioural and leadership competencies development modules are easily accessible and it is serving as an ideal self-learning platform. Thus, this platform is successfully instigating and encouraging self-learning culture in the Company among employees, who get every opportunity to learn and upgrade themselves. This becomes a win-win situation for both the Company and its employees; the Company gets competent employees while the employees get optimum opportunities for growth and self-development. Our twelve-month training programme for management trainees is designed to give them cross-functional exposure through all the functions under seasoned mentors. It provides the young recruits structured holistic training and real-time exposure to various processes and functions. We are emerging as a fertile training ground for future mortgage industry leaders. We are generating career development opportunities for our aspiring young workforce through our internal mobility policy. This year, we have offered 62 cross functional/career enhancement opportunities to our internal talent pool.

Formal rewards and recognition (R&R) programmes have been instituted across functions, locations and teams. The R&R programmes have been aligned with organizational goals and have brought about cross-functional synergy. From the talent management

perspective the Company has adopted the 9-Box model framework to monitor potential-performance ratio for middle and senior management level employees. This model assesses individuals on two dimensions—their current performance and their future potential.



PNB Housing Badminton Tournament

Our employees are the foundation of our success, and we believe in sharing our success with them. We reward their outstanding work in many ways, like providing competitive, instant recognition for path-breaking contributions, and soft incentives like birthday/ anniversary day off, family get-togethers and recreation opportunities.



Family Day of PNB Housing

The HR at PNB Housing leaves no stone unturned in ensuring that its employees remain completely satisfied. Any grievances or issues of the employees are addressed immediately and resolved within a short period of time, sometimes even immediately. Our aim is to keep every employee motivated and happy, such that work for them becomes a pleasure

and they look forward to giving in their best. We attempt at bringing about that change from within for that is what will give lucrative results.

Motivated working yields better results. We thus keep the environment congenial and friendly and our workstations are designed to make working comfortable for our employees, so that they are not exposed to health risks. Good health evokes happiness and happy employees result in happy customers.

COMPLEMENTING INFRASTRUCTURE

To ensure that our team members are provided an ergonomic working environment, we design our brick and mortar infrastructure to deliver comfort and boost efficiency. Our offices span to a total of 3,21,134 sq.ft. of space. Our facility management team has enabled complete logistic support to 1,290 full time employees and 2,880 third party payroll staff in an efficient manner. We deploy internal branding tools to inculcate a sense of oneness with the organisation and to keep our workforce motivated.

FINANCIAL PERFORMANCE: INDUCING SELF BELIEF

Consolidated Performance Indicators

(₹ in crores, unless stated otherwise)

Performance Indicators	FY18	FY17	% Chg
Total Revenue	5,516.96	3,907.85	41%
Finance Cost	3,530.80	2,643.65	34%
Other Expenditure	508.64	357.28	42%
Provisions			
- Standard Asset	87.03	63.51	37%
- NPA	15.52	5.10	204%
- Contingency	62.5	14.98	317%
- Other Provision and Write offs	33.78	19.32	75%
Profit Before Tax	1,278.69	804.01	59%
Profit After Tax	829.41	523.73	58%
Earnings per Share	49.82	36.72	36%
Dividend per Share	9.00	6.00	50%

As per the prudential norms prescribed by the NHB for standard loan assets, HFCs are required to carry a provision of 0.25% on individual home loans, 0.40% on individual non-residential property loans, 0.75% on developer loans for residential projects and 1% on developer loans for commercial projects.

Key Ratios	FY18	FY17	% Chg
Average Yield	10.07%	10.76%	-69 bps
Average Cost of Borrowing	7.71%	8.55%	-84 bps
Spread	2.36%	2.21%	+15 bps
NIM	3.07%	2.97%	+10 bps
Cost to Income Ratio	19.54%	22.43%	-289 bps
Return on Asset	1.54%	1.46%	+8 bps
Return on Equity	14.00%	14.92%	-92 bps
Provision Coverage Ratio	228%	303%	
Average Gearing	7.60	8.72	
Book Value per Share	378.51	336.71	12%
CRAR	16.67%	21.60%	
- Tier I	12.75%	16.46%	
- Tier II	3.92%	5.14%	
Risk Weighted Asset (₹ Crore)	44,451.64	31,773.47	40%

As per the regulatory norms, the minimum requirement for the CRAR and tier I capital is 12% and 6% respectively.

TREASURY

Treasury plays a pivotal role in providing raw material to the business at competitive rates. PNB Housing has evolved treasury operations with a well-diversified and efficient borrowing mix. The Company over a period of time has built associations with a large set of investors, such as MFI/FDI, banks, large mutual funds, insurance companies, pension funds, trusts etc.

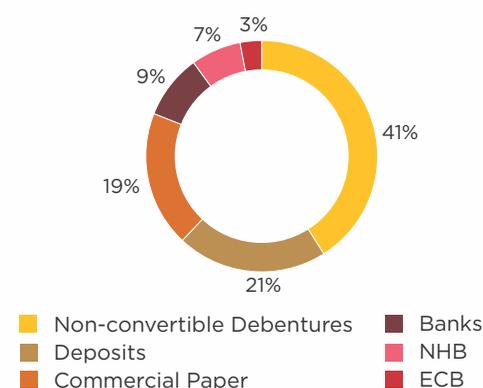
During the year, we established USD 1 billion MTN to raise offshore funds. We issued zero coupon bond (ZCBs) amounting to ₹ 889 crores. The Company's borrowing programmes draws the pivotal ratings from leading rating agencies such as CRISIL, ICRA, CARE and India Ratings.

1. BORROWINGS

Borrowings as on March 31, 2018 registered an increase of 52% to ₹ 54,266.88 crores as against ₹ 35,656.87 crores in the previous financial year.

Borrowings constituted 90% of funds employed as on March 31, 2018. The Company has a well-diversified borrowing mix in terms of both investors and instrument type. As of March 31, 2018, we met our funding requirements through multiple sources, including term loans from banks and financial institutions, non-convertible

BORROWING MIX as on March 31, 2018



debentures, deposits, ECBs, commercial paper, refinancing from NHB, ZCB and unsecured subordinated debt. Over a period of time, the Company has built strong relationship with its lenders. As on March 31, 2018, our lenders aggregate to over 800 lending institutions across public and private sector banks, mutual funds, insurance companies, provident funds, gratuity funds, pension funds, superannuation funds, foreign portfolio investors and multilateral institutions like ADB and IFC, among others.

• Wholesale Debt Market: Non-Convertible Debenture and Commercial Paper

During the year under review, the Company has raised ₹ 8,065 crores (previous year ₹ 4,592 crores) through private placement of secured non-convertible debentures. The Company's NCD issues have been listed on the wholesale debt market of the NSE. The Company's NCDs are rated 'CARE AAA', 'IND AAA/RWN', 'CRISIL AA+/Stable' and 'ICRA AA+/Stable' indicating high safety with regard to timely payment of interest and principal. The outstanding balance of secured NCDs as on March 31, 2018 was 20,037 crores (previous year ₹ 13,172 crores).

During the year, the Company for the first time issued zero coupon bond (ZCBs) amounting to ₹ 889 crores. The outstanding balance as on March 31, 2018 was ₹ 889 crores. The premium on the ZCBs is payable on the maturity of the ZCB.

The Company uses commercial paper as a source of funding its working capital needs and to tide short term volatility in the market. During the year, the Company raised ₹ 26,600

crores (previous year ₹ 14,295 crores) via issuance of commercial paper and repaid ₹ 20,570 crores (previous year ₹ 14,950 crores). The Company's short-term borrowings including commercial paper are rated 'CRISIL A1+' and 'CARE A1+'. These ratings indicate highest safety regarding timely re-payment. The outstanding balance of commercial paper as on March 31, 2018 was ₹ 10,400 crores (previous year ₹ 4,370 crores).

- **Set up of EMTN programme to raise Rupee Denominated Bonds/ Foreign Currency Bonds Overseas**

The Company established a medium term note programme (MTN Programme) of USD 1 billion to issue debt instruments in the international capital markets, subject to regulatory approvals. Under this programme, the Company can raise USD 1 billion through the issuance of rupee denominated bonds (masala bonds) to overseas investors through the approval route. The programme has been listed on the London Stock Exchange. The Company has received approval from the Reserve Bank of India to issue rupee denominated bonds up to USD 500 million where IFC is an anchor investor with a commitment of USD 150 million. These rupee denominated bonds are issued in foreign currency and the currency risk is borne by the investor.

- **Down selling of Assets under Direct Assignment**

During the year, the Company down sold loans amounting to ₹ 3,128.40 crores under direct assignment route to four large institutions consisting of a mix of PSL and Non-PSL assets. This is also a testimony of our superior asset quality. Operating in the mass housing segment, the Company every year generates high quality and reasonable quantum of priority sector assets, which under abidance of RBI guidance can be potentially sold to banks at attractive prices.

As on March 31, 2018, total loans outstanding in respect of all loans down sold stood at ₹ 5,237.59 crores (previous year ₹ 2,961 crores). PNB Housing continues to service these loans and is entitled to servicing fees on the same.

We would continue to explore further down selling of good quality assets, which can help,

bring down the overall leverage and cost of funds.

- **Term Loans from Banks, Institutions**

The Company has borrowed funds with both long and short-term maturities from the banks at competitive rates. This year fresh loans procured from banks were ₹ 3,865 crores (previous year ₹ 25 crores). This includes borrowing through fully hedged foreign currency term loans of ₹ 2,275 crores and market benchmark linked loans of ₹ 1,590 crores. Loans repaid amounted to ₹ 1,374.67 crores (previous year ₹ 572.62 crores). The outstanding balance of bank term loans was ₹ 2,052.18 crores (previous year ₹ 586.85 crores) as on March 31, 2018.

- **Refinance from the NHB**

The Company enjoys a very healthy and harmonious relationship with NHB and has been consistently receiving refinance facilities from them under various schemes. During the year, the Company has availed refinance of ₹ 1,500.00 crores (previous year ₹ 1,000 crores) from the NHB. These are long term funding raised for a period of 10 years. The outstanding refinance from the NHB as on March 31, 2018 was ₹ 3,891.97 crores (previous year ₹ 2748.40 crores) and is secured by hypothecation of specific loans/books debts against which refinance has been availed.

- **Overdraft Facilities**

The Company has added new OD/CC lines during the year aggregating to ₹ 4,250 crores (previous year ₹ 2,275 crores). These OD lines are at MCLR (marginal cost of funds based lending rate) of the respective banks. These lines of credit, which act as backstop facility fund similar to CPs, help in treasury operations of the Company.

- **Subordinated Debt**

As on March 31, 2018, the Company's outstanding subordinated debt stood at ₹ 1,399 crores. The debt is subordinated to present and future senior indebtedness of the Company and has been assigned the rating of 'CARE AAA', IND AAA/RWN, 'CRISIL AA+/Stable' and 'ICRA AA+/Stable' by CARE, India Rating, CRISIL and ICRA respectively.

The Company has not issued any subordinated

debt during the year. Based on the balance term of maturity, as on March 31, 2018, ₹ 1,359 crores of the book value has been considered as tier II capital for the calculation of CRAR as per the guidelines issued by the NHB.

The tier II capital of the Company stands at 3.9% as on March 31, 2018 compared to 5.14% as on March 31, 2017.

- **External Commercial Borrowings (ECB)**

The Company has ECBs of USD 223.75 million in the form of term loan facilities from International Finance Corporation and Asian Development Bank. These two ECBs were raised under the low cost affordable housing scheme of the Reserve Bank of India (RBI). The proceeds have been utilised for financing prospective owners of low cost affordable housing units. As per RBI norms, low cost affordable housing units have been defined as units where the property cost is up to ₹ 30 lacs, the loan amount is capped at ₹ 25 lacs and the carpet area does not exceed 60 square meters. The ECB is for an average tenure of 5 years and the foreign exchange risk on the principal has been hedged in accordance with the guidelines prescribed by the RBI.

2. INVESTMENTS

We follow a Board approved investment policy with set limits on the investments. The investment function is carried out to maintain sufficient liquidity and smooth running of day-to-day operations and invest surplus funds in various securities with an objective to maximize risk adjusted return.

As on March 31, 2018, the investment portfolio stood at ₹ 2,380.11 crores, which is 3.73% of the total assets. HFCs are required to maintain a statutory liquidity ratio (SLR) of 12.50% against the public deposits raised by the Company. As on March 31, 2018, PNB Housing had ₹ 1,161.65 crores in SLR securities.

PNB Housing has classified its investments into current and long-term investments. The current investments have been entirely 'marked to market'. In respect of long-term investments, provisions are made to reflect any permanent diminution in the value of investments. The aggregate provision on account of such current and long-term investments amount to ₹ 14.47

crores. This includes opening balance of ₹ 7.73 crores and an incremental provision of ₹ 6.74 crores made in FY2017-18.

As on March 31, 2018, the market value of quoted investments was higher by ₹ 12.94 crores as compared to the value at which these investments are quoted in the balance sheet.

3. ASSET LIABILITY MANAGEMENT

The asset liability management process involves close monitoring of mismatches in asset-liability and to ensure that there are no imbalances or excessive concentrations on either side of the Balance Sheet beyond the permissible and defined threshold. The ALCO being a board nominated committee closely reviews the asset portfolio, lending rates, borrowing profile and cost of funds on a periodic basis and gives directions and broad framework of operations to the treasury and business team.

The ALM position of the Company is based on the maturity buckets as per the guidelines issued by NHB. In computing the same, relevant assumptions, estimates and adjustments have been made by the management in line with the past and expected performance of the loan assets currently in the book. In this regard, Asset is calculated on the behavioural maturity and liability on a contractual maturity basis and hence the same shall not be in line with what has been reported in the audited financials, since they are all based on contractual maturities of both assets and liabilities.

Investor Relations (IR)

In the financial year 2016-17, the Company launched its IPO and got listed on the Indian stock exchanges. The Company raised ₹ 3,000 crores through the IPO, which was the second largest IPO in the Indian stock market in 2016. The Company was also awarded with 'IPO of the Year' by finance monthly magazine (M&A Awards), a leading international business publication.

FY2017-18 was the first full year of IR activities, which was focused on enhancing the Company visibility through participation in investor conferences, non-deal roadshows, inbound roadshows/meetings, investor/analyst meet and expanding coverage on the Company while ensuring consistency of data and maintaining highest standards of corporate governance. The Investor

Relations team ensures uniformity in dissemination of information among all investors in a timely and transparent manner.

During FY2017-18, PNB Housing became part of various BSE and NSE indices, such as, BSE 200, Nifty 200, Nifty 500, Nifty Midcap 150, Nifty Mid Small Cap 400, Nifty Full Midcap 100, Nifty Free float Midcap 100 etc. With effect from January 4, 2018, BSE has categorized PNB Housing script as group 'A' from group 'B' that indicates higher trading activity in the stock.

Subsequent to the listing, prompt and proactive disclosure of all material information was made to the stock exchanges to enable informed decision making by the market participants. The documents, which are shared with the stock exchanges, are instantly uploaded on the Company website and mailed to the market participants.

The IR function has played a pivotal role in enhancing the company's presence and penetration among the investor fraternity and shall continue to expand the same, during FY2018-19 as well.

INTERNAL AUDIT

Our business growth demands that the internal audit performs stringent checks to track any deviation. Stepping up the same, we have set up a new process for internal audit where disbursement and docket audit is shifted from CPC to branches. External legal firms conduct audits and their findings are shared on a monthly basis while the audit reports are issued quarterly. Besides docket audit, a separate team of internal auditors conduct audit of disbursed files and issue quarterly reports. For auditing the rest of the functions such as accounts, deposits, general administration, IT, human resource, customer service, etc. the auditors visit branches twice a year.

Transaction audit of the branches were completed as per the given scope and in time. Functions at CSO, treasury, finance and accounts, GAD, HR, are audited by an external auditor, while wholesale finance and central recovery functions are audited by in-house internal auditors on a quarterly basis.

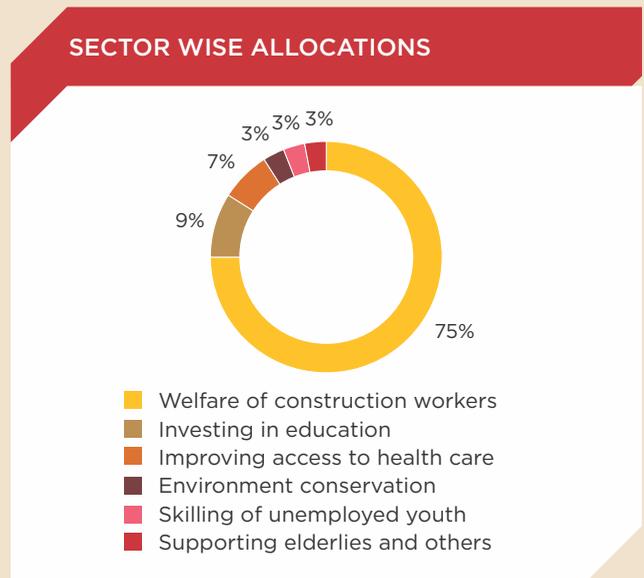
CORPORATE SOCIAL RESPONSIBILITY: CONTRIBUTING OUR BIT

Growth and development around the world is not homogenous. Unfortunately, even today, a large section of the society is deprived of the basic human needs. It is ironical that this section includes construction workers and their families who continue to be in socially and economically marginalized

areas. At PNB Housing, the CSR initiatives are primarily focussed on improving the lives of the under privileged and reinforcing our humble contribution towards nation building.

Majority of our CSR interventions are towards the welfare of construction workers and their immediate family members. We extend support for formal education of underprivileged children, environment conservation and improving access to health care through capital funding. In FY2017-18, we have been able to impact the lives of over 15,000 people through modest efforts in various areas.

The given pie chart indicates sector wise investment for FY2017-18.



SAKSHAM—A CATALYST OF CHANGE

PNB Housing day care centres for the children of construction workers

This programme attempts to break the cycle of



Day Care Centre at Hyderabad

deprivation especially for children of construction workers. It addresses issues such as malnutrition, hygiene, healthcare, provision for early learning followed by enrolment in schools. Every year we are expanding our social footprint by joining hands with various NGOs, including Mumbai Mobile Crèche, Tara Mobile Crèches, Savera Welfare Society and Plan International. So far, we have established 32 day care centres in 10 cities and reached out to 5,000 children.

Through this programme, we seek to give that space to parents to work freely under the assurance that their children are being taken care of and being well looked after. This programme is a humble initiative to contribute to the nation by nurturing its future citizens.

Enhancing human potential through skill development of construction workers

Statistics show that of the 4.4 crores people employed in the sector, 98% of workforce is under 'informal' arrangements. In simpler words, they are the 'unskilled labour'. Needless to mention, poor skills result in unsteady work, low wages, early exit from employment and wastages on construction sites, without forgetting that the new technologies being introduced in the construction industry demand that the people using them are well trained to do so.



Convocation ceremony of skill workers

In partnership with CREDAI CSR Foundation, we have initiated skill development programmes through two models, namely, on-site training and off-site training. Skill enhancement in trades like masonry, bar bending, electrical fittings, painting and shuttering are being provided to enhance their professional capabilities and bring about stability and sustainability in their lives. As on March 31, 2018, we have trained over 8,500 construction workers.

Supporting quality education

Quality education requires support in order to be both significant and relevant. Through our partnership with Vidya, we have invested CSR funds to release stress on the operational expenses of two formal schools.



Junior Class students from School Vidya



Function Day at School Vidya

Improving access to healthcare

We aim to improve the health of the socially and economically marginalized group. This year, we introduced three programmes, to achieve the above. We continued with our preventive and curative healthcare interventions for children and mothers living at various construction sites pan India.

Environment conservation

PNB Housing believes that holistic CSR strategies have to be developed to create a positive impact on the social and environmental system in which the Company operates. We have adopted and are maintaining a greenbelt in Faridabad and have extended support to a major waste management project in Cochin.

Supporting the elderly

It pains us to see that millions of senior citizens are forced to leave home and live in isolation. In

FY2017-18, we joined hands with Ayudham in Delhi, which is an old age home to extend our support to such individuals.

Skilling of unemployed youth—In BFSI sector

In FY2017-18, we partnered with SEEDS and IL&FS Skills to train 100 unemployed youth in banking, finance services and insurance (BFSI) related trades. Post completion of the training the candidates were offered placement opportunities with various financial institutes.



Alumni Meet of Construction Workers at Nashik

FUTURE OUTLOOK

We are moving into the future with zeal and determination. Our outlook is brimming with positivity as we step up our efforts to make home loans a 'ghar ki baat'. Housing sector in India is a wide canvas of opportunities for the golden triangle of customers, developers and housing finance providers. If painted well, this canvas will present a picture perfect scenario where every one emerges as a winner.

Our blueprint for expansion is ready and we shall be creating presence deeper into the markets through brick and mortar infrastructure, online portals and through our business associates.

We are gradually working our way up to achieve the vision of being one of the most admired housing finance companies in the country. Our service standards shall be our most convincing marketing collateral in this aspiration.

Our commitment to serve the customers in a secure, transparent and swift manner propels us to persistently innovate. Our Total Quality Management framework is being implemented across the network and it will help us in further augmenting our productivity.

Our endeavour going forward shall also to be consistent in our lending mix across segments and geographies well supported by our able and predictable borrowing program.

PHFL is toddling its way up in the first year of its inception. We anticipate that it will soon begin contributing to the PNB Housing business.

We aim to capitalize on the various initiatives launched by the Government. Many of these initiatives are oriented towards our target segment and we intend to play a facilitating role in ensuring that our customers benefit from these initiatives.

We will continue to focus on obtaining an optimum cost-benefit ratio across operations as we grow without bringing a dent in profits and containing NPAs to a level below than what is considered as sector's best.

Our team members shall bear the torch in our quest for a better tomorrow. They provide inspiration, creativity, vision and motivation to keep our purpose alive. It shall be our endeavor that their skills are honed and competencies are vitalized on a continual basis.

CSR being an important part of the DNA of the Company, we will magnify the scale of our efforts even further to give back to the society to which we owe our sustenance.

Good governance has always remained the core of Company's philosophy and we will continue creating value for shareholders while ensuring fairness and transparency towards the stakeholders.

Data Sources

- World Economic Outlook, April 2018 by International Monetary Fund
- Indian Mortgage Finance Market Update for 9M FY2018 by ICRA
- Housing Finance - NBFC by CRISIL, November 2017
- India Soars Higher 2018 by KPMG
- Global Economic Prospects, January 2018 by the World Bank Group

Safe harbour statement

In this Annual report, certain statements are forward looking, including and without limitation statements within the meaning of applicable laws and regulations, relating to the implementation, strategic initiatives and other information on our business, business development and commercial performance. While these forward-looking statements exemplify our judgment and future expectations concerning the development of our business, a number of risks and uncertainties and other important factors viz economic conditions affecting demand and supply, government regulations, natural calamities and so on, may cause actual development and results to differ materially from our expectations. PNB Housing Finance undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances.